

Ms. Linda White, Reimbursement Manager
Health Care and Retirement Corporation
One Seagate, 23rd Floor
Toledo, Ohio 43604

Re: AC# 3-OKU-J5 – Health Care and Retirement Corporation of America
d/b/a Oakmont of Union Nursing and ICF

Dear Ms. White:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1994 through September 30, 1995. That report was used to set the rate covering the contract periods beginning October 1, 1996.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sj

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

**HEALTH CARE AND RETIREMENT CORPORATION
OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF
UNION, SOUTH CAROLINA**

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1996
AC# 3-OKU-J5**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

CONTENTS

	<u>EXHIBIT OR SCHEDULE</u>	<u>PAGE</u>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1996	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS OCTOBER 1, 1996 THROUGH SEPTEMBER 30, 1997	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1995	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

December 12, 1997

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Health Care and Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF, for the contract periods beginning October 1, 1996 and for the twelve month cost report period ended September 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Health Care and Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days and Cost of Capital Reimbursement Analysis sections of this report
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Health Care and Retirement Corporation of America d/b/a Oakmont of Union Nursing and ICF dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
December 12, 1997

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF**

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1996
AC#3-OKU-J5

	10/01/96- <u>09/30/97</u>
Interim reimbursement rate (1)	\$85.80
Adjusted reimbursement rate	<u>80.78</u>
Decrease in reimbursement rate	\$ <u><u>5.02</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated May 15, 1997

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF**

Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1996 Through September 30, 1997
AC#3-OKU-J5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.00	\$39.07	\$42.83	\$39.07
Dietary	<u>.66</u>	<u>6.67</u>	<u>9.46</u>	<u>6.67</u>
Subtotal	<u>\$3.66</u>	45.74	52.29	45.74
Laundry/Housekeeping/Maint.	\$1.10	6.11	7.32	6.11
Administration & Med. Rec.	<u>-</u>	<u>10.00</u>	<u>8.60</u>	<u>8.60</u>
Subtotal	<u>\$1.10</u>	61.85	<u>\$68.21</u>	60.45
<u>Costs Not Subject to Standards:</u>				
Utilities		1.93		1.93
Special Services		.34		.34
Medical Supplies & Oxy.		3.32		3.32
Taxes and Insurance		1.98		1.98
Legal Fees		<u>.12</u>		<u>.12</u>
TOTAL		<u>\$69.54</u>		68.14
Inflation Factor (4.90%)				3.34
Cost of Capital				7.30
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				1.10
Cost Incentive - For Gen. Serv. & Dietary				3.66
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(3.01)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$ 80.78</u>

HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF
 Summary of Costs and Total Patient Days
 For the Cost Report Period Ended September 30, 1995
 AC# 3-OKU-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,250,551	\$ -	\$ 26,229 (2) 225 (2)	\$1,224,097
Dietary	290,173	-	338 (2) 80,922 (4)	208,913
Laundry	67,538	-	36 (2)	67,502
Housekeeping	67,465	31,424 (3)	218 (2) 38,471 (4)	60,200
Maintenance	70,516	31,053 (3)	125 (2) 37,782 (4)	63,662
Administration & Medical Records	329,051	2,282 (2) 33,951 (3)	86 (2) 51,903 (4)	313,295
Utilities	66,776	29,389 (3)	35,644 (4)	60,521
Special Services	10,843	-	95 (2)	10,748
Medical Supplies & Oxygen	104,229	-	81 (2)	104,148
Taxes & Insurance	67,368	27,650 (3)	32,866 (4)	62,152
Legal Fees	4,163	496 (3)	777 (4)	3,882

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF**

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1995
AC# 3-OKU-J5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	245,326	2,799 (3)	9,943 (4) 9,486 (1)	228,696
Subtotal	2,573,999	159,044	325,227	2,407,816
Ancillary	32,346	-	-	32,346
Non-Allowable	519,133	25,225 (2) 288,308 (4) 9,486 (1)	74 (2) 156,762 (3)	685,316
Total Operating Expenses	<u>\$3,125,478</u>	<u>\$482,063</u>	<u>\$482,063</u>	<u>\$3,125,478</u>
TOTAL PATIENT DAYS	<u>31,334</u>	<u>-</u>	<u>-</u>	<u>31,334</u>

TOTAL BEDS 88

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF**

Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-OKU-J5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nonallowable Cost of Capital	9,486	9,486
	To adjust capital return to allowable State Plan, Attachment 4.19D		
2	Administration	2,282	
	Nonallowable - Retirement Center	25,225	
	Nursing		26,229
	Restorative		225
	Dietary		338
	Laundry		36
	Housekeeping		218
	Maintenance		125
	Medical Records		86
	Medical Supplies & Oxy		81
	Special Services		95
	Nonallowable		74
	To adjust Payroll Taxes and Fringes to allowable HIM-15-1, Section 2144		
3	Cost of Capital	2,799	
	Taxes and Insurance	27,650	
	Administration	33,951	
	Legal	496	
	Utilities	29,389	
	Maintenance	31,053	
	Housekeeping	31,424	
	Nonallowable		156,762
	To reverse DH&HS stepdown of indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		

**HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF**

Adjustment Report
Cost Report Period Ended September 30, 1995
AC# 3-OKU-J5

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable	288,308	
	Cost of Capital		9,943
	Taxes and Insurance		32,866
	Administration		51,903
	Maintenance		37,782
	Utilities		35,644
	Legal		777
	Housekeeping		38,471
	Dietary		80,922
	To remove indirect costs applicable to non-reimbursable cost centers State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$ <u>482,063</u>	\$ <u>482,063</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1995
 AC# 3-OKU-J5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>88</u>
Deemed Asset Value	2,813,624
Improvements Since 1981	406,306
Accumulated Depreciation at 9/30/95	(963,324)
Net Book Value of Laundry Assets	<u>25,255</u>
Deemed Depreciated Value	2,281,861
Market Rate of Return	<u>0.070</u>
Total Annual Return	159,730
Return Applicable to Non-Reimbursable Cost Centers	(13,164)
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>2,566</u>
Allowable Annual Return	149,132
Depreciation Expense	83,794
Amortization Expense	5,717
Capital Related Income Offsets	(4)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(9,943)</u>
Allowable Cost of Capital Expense	228,696
Total Patient Days (Minimum 97% Occupancy)	<u>31,334</u>
Cost of Capital Per Diem	\$ <u><u>7.30</u></u>

HEALTH CARE AND RETIREMENT CORPORATION OF AMERICA
D/B/A OAKMONT OF UNION NURSING AND ICF
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1995
AC# 3-OKU-J5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$4.83
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.82</u>
Reimbursable Cost of Capital Per Diem	\$7.30
Cost of Capital Per Diem	<u>7.30</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>